

Message Text

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APPROVED BY: NEA:SSOBER

S/S-O:PKJOHNSON

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TO AMCONSUL JERUSALEM IMMEDIATE

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TOSEC-538 FOR ATHERTON

FOLLOWING REPEAT ASWAN 0172 ACTION SECSTATE INFO
CAIRO DTD 14 MAR

QTE

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C O R R E C T E D C O P Y - LINE ADDED AT END PGH NBR ONE

DEPT PASS SECRETARY'S PARTY FOR ATHERTON

CAIRO PASS ALEXANDRIA

E.O. 11652: NA

TAGS: ECON

SUBJ: CONGESTION SURCHARGE AT ALEXANDRIA

REF: STATE 49822

1. WHILE AT THE PRESIDENCY LAST EVENING, AMBASSADOR
RECEIVED AN URGENT LATTER FROM PRIMIN HEGAZY IN CAIRO
ALLUDING TO GULF-MEDITERRAITEAN SHIPPING CONFERENCES
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RECENT APPLICATION TO FEDERAL MARITIME COMMISSION (FMC)

TO RAISE SURCHARGE ON FREIGHT SHIPPED TO ALEXANDRIA TO 50 PERCENT AS OF APRIL 7. HEGAZY'S LETTER STRONGLY OBJECTS TO THE CONFERENCES DECISION, PARTICULARLY AT A TIME WHEN VOLUME OF TRADE WITH USA IS RISING APPRECIABLY. HE ALSO EXPRESSES CONCERN THAT ACCEPTANCE BY FMC OF ABOVE REQUEST WILL OPEN DOOR TO SIMILAR ACTION BY OTHER SHIPPING CONFERENCES/LEADING TO EXCESSIVELY BURDENSOME FREIGHT CHARGES.

2. HEGAZY CONTINUES SUCH ACTION WOULD BE UNFORTUNATE WHEN A "MAJOR PROGRAM" IS UNDERWAY TO IMPROVE EFFICIENCY OF ALEXANDRIA PORT. SPECIFICALLY, (A) A 1,000 TRUCK FLEET ALREADY CONTRACTED FOR AND WILL OPERATE FIRST AND FOREMOST IN PORT AREA; (B) THE MINISTRY OF FOREIGN TRADE IS CURRENTLY PREPARING PROGRAM OF IMPORTS TO INSURE RESCHEDULING OF IMPORT ARRIVAL CONSISTENT WITH AVAILABLE PORT FACILITIES AND TIMING OF NATIONAL REQUIREMENTS; AND (C) AN IBRD MISSION IS ARRIVING LATER THIS MONTH TO PREPARE A PROJECT FOR OVERALL IMPROVEMENT OF ALEXANDRIA PORT FACILITIES WHICH THE BANK HAS INDICATED A WILLINGNESS TO FINANCE.

3. HEGAZY ACKNOWLEDGES AWARENESS OF SHORTCOMINGS OF PRESENT FACILITIES AND PRESSURES ON EGYPTIAN INFRA-STRUCTURE. HE SAYS EVERY EFFORT BEING MADE TO REVITALIZE WHOLE SECTOR AT GREAT CAPITAL COST AND CONCLUDES BY REQUESTING OUR SUPPORT IN RESISTING THE ADDITIONAL BURDEN FROM THE CONFERENCE DECISION.

4. FAHMY ALSO RECEIVED COPY OF HEGAZY'S LETTER AND SUBSEQUENTLY SOUGHT OUR ASSISTANCE IN PREVENTING PROPOSED SURCHARGE.

5. COMMENT: REQUEST POSES DILEMMA. ALEXANDRIA IS NOT ALONE IN HAVING CONGESTION FREIGHT SURCHARGES INCREASED, THOUGH GOE PERHAPS LESS ABLE ABSORB SUCH INCREASES THAN SOME OF ITS WEALTHIER NEIGHBORS. HEGAZY TOLD AMBASSADOR WELL OVER A MONTH AGO THAT ALL EFFORTS WERE BEING MADE TO RELIEVE ALEXANDRIA PORT CONGESTION AND GAVE ASSURANCES IT WOULD BE EASED LIMITED OFFICIAL USE

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BY EARLY MARCH. FROM ALL INDICATIONS, THIS HAS NOT HAPPENED AND IS NOT IMMINENT. GOOD INTENTIONS NOTWITHSTANDING, GOE OBVIOUSLY HAVING DIFFICULTY ORGANIZING ITSELF TO IMPROVE OPERATION OF ALEXANDRIA. AS DEPT AWARE, WE HAVE BEEN ASKED FOR A PORT MANAGER AND EMBASSY HAS RECOMMENDED APPROVAL.

6. IT WOULD BE UNFORTUNATE IF SURCHARGE WERE IMPOSED

AT THIS TIME WHEN DELICATE POLITICAL NEGOTIATIONS ARE UNDERWAY. WE DO NOT KNOW WHAT DEPARTMENT MAY BE ABLE TO DO WITH FMC, BUT THOUGH OCCURS TO US THAT IF A DECISION ON INCREASING THE SURCHARGE COULD BE POSTPONED FOR, SAY, TWO OR THREE MONTHS, THIS WOULD ALREADY BE HELPFUL. IT WOULD A) GIVE GOE ADDITIONAL BREATHING TIME TO CLEAR UP ITS OWN MESS, AND B) BE AN INDICATION OF USG WILLINGNESS BE OF REASONABLE ASSISTANCE TO EGYPT IN RESOLVING ITS ECONOMIC PROBLEMS. SHOULD NO IMPROVEMENT TAKE PLACE BY THE END OF THAT TIME, FMC WOULD RETAIN OPTION OF VOTING SURCHARGE.

7. AMBASSADOR WILL REPLY TO HEGAZY THAT HE HAS BROUGHT SUBJECT TO DEPT'S ATTENTION TO SEE WHAT, IF ANYTHING, MIGHT BE POSSIBLE. AMBASSADOR WILL ALSO INDICATE URGENT NEED COME TO GRIPS WITH ALEXANDRIA PORT PROBLEM IF THIS KIND OF A SITUATION IS TO BE PREVENTED FROM RECURRING. EILTS UNQTE INGERSOLL

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